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Western European Indicators and Insights

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UK: Manufacturing rises, prices higher.

Surprising few, January manufacturing output rose 0.1% M/M, accentuating the upwardly revised 1.1% December surge, the latter having been the first gain since the distorted May figure: NB revisions were slightly to the positive. Notably, the three-month rate of growth for manufacturing turned positive (at 0.1%) for the first time in eight months. Perhaps of more note, the further rise in January came on the back of a sharp bounce in consumer durable goods production.

Notably, however, oil and utility production were negative; results that meant that overall industrial production fell by 0.4% in M/M terms, exactly unwinding the rise of the previous month.

Clearly the swings in the overall production data reflect the impact of swings in the weather. Regardless, despite the clearly firmer manufacturing picture, overall output may still fail to bounce in the current quarter, leaving any recovery in Q1 GDP growth to come from the services sector (where at least survey readings are positive).

Coming in above expectations this time around, February producer output prices rose by 0.6% in M/M terms, adding to the clear and little-revised 0.4% gain of the previous month. This further rise was more broad based than in January, albeit with another clear push from higher fuel costs. As a result, the core rate rose further and faster, rising 0.5%. Even so the overall Y/Y rate of change for the PPI was little changed at 4.1%, while the Y/Y core measure increased back to 3.0%.

Meanwhile, February headline input prices was much above expectations, rising 2.1% M/M, following a 0.1% rise in the previous month. Fuel costs rose afresh. Even so, the seasonally adjusted core input price gauge increased for the first month in three, with the 0.8% leap also being the largest since last July, even through the core Y/Y rate (at 5.4%) eased slightly.

These figures point to fresh upward pressures that will very much worry some parts of the MPC, although the BoE as a whole may put as much emphasis on the fall back in household inflation expectations evident in its own survey.